

# Rural Economic Development Grants (REDG)

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## Purpose

- To provide financing to eligible Rural Utilities Service (RUS) electric or telecommunications borrowers (Intermediaries) to promote rural economic development and job creation projects.

## Eligibility and Use of Grant Proceeds

- Grants can be made to any Intermediary that is not delinquent on any Federal debt or in bankruptcy proceedings.
- The Intermediary is required to operate and administer a revolving loan fund program using the grant proceeds. The revolving loan fund program will be operated by the Intermediary in accordance with a revolving loan fund plan approved by Rural Development.
- To establish the revolving loan fund, the Intermediary is required to contribute to the fund an amount equal to 20 percent of the grant. This contribution will be provided by the Intermediary from its own sources and will remain as part of the fund until the fund is terminated.

## Ultimate Recipients and Uses of Loans from the Fund:

- Initial loans, at zero percent interest, from the revolving loan fund may only be made to:
  - Non-profit entities, public bodies, or Federally-recognized Indian tribes for community development or community facility projects and business incubators.
  - Non-profit entities, public bodies, Federally-recognized Indian tribes, and for-profit entities for facilities and equipment to provide education and training to rural residents that will facilitate economic development; facilities and equipment to provide medical care to rural residents; equipment and facilities to enable eligible entities to provide medical training and related professional health care skills to rural health care providers; advanced telecommunications or computer networks to facilitate medical or educational services or job training; or project feasibility studies and technical assistance.
- Subsequent loans, at an interest rate not to exceed the prime interest rate, may be made to ultimate recipients for any rural economic development purpose eligible under the program in accordance with the Intermediary's revolving loan fund plan. Subsequent loans are made using repayment funds from the initial loan.

## Maximum and Minimum Grant Amounts

- Maximum \$300,000 (Published annually in the Federal Register)
- Minimum \$ 10,000

## Supplemental Financing Requirement for the Ultimate Recipient Project

- The ultimate recipient must provide supplemental financing for its project. The minimum requirement is 20 percent of the amount of the loan being provided from the revolving loan fund.
- No in-kind contributions are accepted as supplemental financing.

## Loan Repayment Terms between the Intermediary and Ultimate Recipient

- Initial loans made from the revolving loan fund must carry a zero-interest rate and not exceed a maximum term of 10 years. Lesser term notes are acceptable.

- The Intermediary will determine repayment terms on loans made using the Intermediary's contribution and on subsequent loans made from repayment of the initial loan. The maximum interest rate for these loans is the prevailing prime interest rate.
- The ultimate recipient will provide collateral to the Intermediary.
- Reasonable loan servicing fees may be charged by the Intermediary to the ultimate recipient, not to exceed one percent a year on the unpaid principal balance of the loan.

### **Application Filing, Review, and Selection**

- Applications are submitted to the Rural Development State Office
- Application selection is competitive. Applications are awarded priority points based on the selection factors and the highest-ranked applications are selected for funding on a quarterly basis.

### **Selection factors considered in the award process:**

Factors considered when making awards include:

- Nature of the project
- # of direct full time jobs created or saved within 3 years
- Supplemental funds
- Unemployment rate
- Per capita personal income
- Rural area location
- Decline in population
- Cushion of Credit payments
- Initial loan or grant to the intermediary
- First loan or grant in the county where project located
- Ultimate recipient's business plan
- Agency discretionary points

### **For More Information Contact:**

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